

# HONDURAS<sup>1</sup>

## MINIMUM WAGE

Minimum wages are set according to economic sector and geographic area; they cover only private sector workers and exclude managers, administrators, and professionals, and domestic service workers. The tripartite Minimum Wage Commission establishes the minimum wage by consensus, taking as a base the annual economic study prepared by the Directorate General of Salaries under the Ministry of Labor and Social Security. In the event the Commission is unable to come to a consensus within the period required by law, the President has the legal authority to increase the minimum wage.

The federal government normally sets new minimum wage levels in January of each year. In November 1998, however, consultations between the government and representatives of employers and workers in the wake of Hurricane Mitch resulted in a governmental decision to freeze national minimum wage levels at their current levels through June 1999. The Minimum Wage Commission will convene in June to determine whether minimum wage levels should be adjusted, and if so, whether new levels would be made retroactive. The official daily minimum wage in lempiras (L)—1 U.S. dollar (US\$) is equivalent to 14 lempiras—for workers in the maquiladora (i.e., apparel and footwear) sector was L24.50 in 1995, L30.00 in 1996, L39.65 in 1997, and L46.80 in 1998 and to date in 1999.

Minimum wages vary by economic sector and geographical zone, with the lowest rates occurring in the non-export agricultural sector and the highest rates in the export sector. Urban-zone workers earn slightly more than those in the country. The law prescribes a maximum 8-hour workday and a 44-hour workweek. There is a requirement of at least one 24-hour rest period every 8 days.<sup>2</sup>

## PREVAILING OR AVERAGE WAGE

Most maquiladoras in Honduras base their wage scales on production and efficiency, so that the basic wage of the average laborer in the apparel and footwear sectors fluctuates between double and triple the official minimum wage.

No data were available for Honduras from the International Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

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<sup>1</sup> Unless noted otherwise, information presented here is from American Embassy—Tegucigalpa, unclassified telegram No. 979 (March 26, 1999).

<sup>2</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 679.

## NON-WAGE BENEFITS

Honduran workers are exempt from paying taxes on the first L70,000 of income, and they can deduct an additional L20,000 for medical and educational expenses. Honduran companies are required by law to make the following contributions, based on their global payrolls, to the government:

- 7 percent to the Honduran Social Security Institute, which provides basic medical attention to all workers;
- 1.5 percent to the Social Housing Fund, which provides limited housing subsidies; and
- 1 percent to the National Institute for Professional Development, which provides job training.

Companies also are required by law to make the following direct payments to their employees:

- one day's additional salary each week;
- one day's additional salary for each of 11 national holidays;
- annual paid vacation equivalent to 10, 12, 15, or 20 workdays, based after 1, 2, 3, or 4 years, respectively, of service;
- bonus payments of a month's salary in June and December of each year;
- an annual educational bonus, based on a percentage of annual salary;
- maternity and lactation bonuses; and
- severance or retirement payments for workers laid off or dismissed without cause, based on years of employment.

Most Honduran maquiladoras voluntarily subsidize transportation and meals for their employees, and provide bonuses for efficiency, punctuality, and informal holidays, such as Mother's Day.

A U.S. Social Security Administration survey<sup>3</sup> elaborates on four different non-wage benefit programs in which employers in Honduras are required to participate on behalf of their employees: (1) old age, disability, death social insurance program, begun in 1959, in which insured persons pay 1 percent of their earnings, employers pay 2 percent of the payroll, and the government pays 1 percent of the payroll; (2)

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<sup>3</sup> Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 160-161.

sickness and maternity benefits, first legislated in 1952, in which insured persons pay 2.5 percent of their earnings, employers pay 5 percent of the payroll, and the government pays 2.5 percent of total covered earnings; (3) work injury benefits, first begun in 1952, are included under sickness benefits above; and (4) unemployment insurance, which has been part of the Labor Code since 1959 and requires employers to pay dismissed employees a lump sum based on length of service, not to exceed 11 months' wages.

## ASSESSING BASIC NEEDS: THE POVERTY LINE

The Planning Secretariat (SECPLAN) in the Office of the President of the Republic each year prepares an analysis of relative levels of poverty and potential in which households nationwide are categorized as “below the poverty line” (broken down into “indigent” and “poor”) and “not poor.” Among the major indices analyzed are prices of baskets of basic goods (categorized by region), an annual survey of household expenses, the proportion of total expenditures on food in household consumption, actual reported and estimated unreported incomes, and real incomes adjusted by region. The Planning Secretariat has yet to issue its 1998 analysis, as it is in the process of compensating for nationwide shortfalls of goods, services, and income in the wake of Hurricane Mitch. Its estimates of levels of poverty and potential, by percentage of households, for 1995-1997, are:

Household Description	1995	1996	1997
Indigent	47.4	53.7	48.4
Poor	20.4	15.0	17.4
Below the poverty line (indigent + poor)	67.8	68.7	65.8
Not poor	32.3	31.3	34.2

The Honduran Women's Collective (Colectiva de Mujeres Hondureñas—CODEMUH) has preformed an analysis of the social conditions and well-being of maquila workers in Honduras.<sup>4</sup> The analysis compares the minimum wage of a maquila worker (L46.80 per day) to the cost of a market basket of basic goods and services for a family of five (*canasta básica familiar y vivienda*) as compiled by official sources. The daily cost of this basic basket over the last 8 years is as follows:

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	
Cost of Basic Market Basket (for a family of five; L per day)		16.43	23.59	25.28	27.76	34.64	42.95	55.43	69.10

The basic market basket for a family (in 1997, L69.10 per day or L2,073 per month) excludes health care,

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<sup>4</sup>Colectiva de Mujeres Hondureñas—CODEMUH, “Este es mi salario esta es... mi economía,” (Choloma, Cortés, no date), which is based on information from the *Heraldo Económico*; public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

transportation, entertainment, and school expenses, which CODEMUH estimates would add L700 per month. This expanded market basket (*canasta básica ampliada*) for a family of five would have cost L2,773 per month in 1997.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization<sup>5</sup> reports several sets of measures of a national poverty line for Honduras:

- ! for 1978, 55 percent of the rural Honduran population was below the rural poverty line of an annual per capita income of US\$180 and 14 percent of the urban Honduran population was below the urban poverty line of an annual per capita income of US\$255, with a national poverty rate of 37 percent.<sup>6</sup>
- ! for 1992, 84 percent of the rural and 71 percent of the urban Honduran population were below the poverty line, with a national poverty rate of 78 percent.<sup>7</sup>
- ! for 1989, 82.6 percent of the rural and 54.4 percent of the urban Honduran population were below

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<sup>5</sup> Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 62.

<sup>6</sup> The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20<sup>th</sup> percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

<sup>7</sup> The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990). The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

the poverty line of a monthly per capita income of US\$60 in 1985 purchasing power parity adjusted US\$.<sup>8</sup>

! for 1991, 73.0 percent of all Honduran families were below the poverty line of L150.3 per capita per month for rural families and L309.1 per capita per month for urban families.<sup>9</sup>

The World Bank reports<sup>10</sup> that, in 1992, 50 percent of the Honduran population was below the national poverty line, with 56 percent of the urban population and 46 percent of the rural population living below the national poverty line. For the same year, in terms of international poverty lines, the World Bank reports that 75.7 percent of the Honduran population was below the international poverty line of US\$2 per person per day and 46.9 percent was below the international poverty line of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

## MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Honduras meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is considered insufficient to provide a standard of living above the poverty line for a worker and family. Labor leaders have claimed that the government has ignored salary issues for workers earning above the minimum wage (for example those in maquiladoras and in other industries such as banking) and have called for an across-the-board increase of 40 percent for all workers.<sup>11</sup> The U.S. Embassy has been unable to identify any local study on the "living wage" and considers it likely that none exists, as the "living wage" is virtually unknown in Honduras as a political or socioeconomic concept.

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<sup>8</sup> The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US\$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

<sup>9</sup> The estimate is referenced as originating from Jorge Navarro, "Poverty and Adjustment: The Case of Honduras", *CEPAL Review*, No. 49 (April 1993), pp. 91-101. The study is based on the Multipurpose Permanent Household Surveys conducted by the Ministry of Planning, Coordination and the Budget (SECPLAN). The SECPLAN-defined basket of staple foods is costed at urban and rural prices compiled by the Central Bank. The food share is assumed to be 50 percent in the urban areas and 75 percent in the rural areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 162.

<sup>10</sup> World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

<sup>11</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 679.

